



Manheim Central School District
Manheim, Pennsylvania
Lancaster County

Financial Statements
Year Ended June 30, 2021



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

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MANHEIM CENTRAL SCHOOL DISTRICT

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MANHEIM CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Manheim Central School District
Manheim, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manheim Central School District, Manheim, Pennsylvania as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Manheim Central School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manheim Central School District, Manheim, Pennsylvania as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 14 to the financial statements, Manheim Central School District adopted new accounting guidance, GASB Statement No. 84, "Fiduciary Activities". Our opinions are not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Manheim Central School District's 2020 financial statements, and our report dated December 7, 2020, expressed unmodified audit opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund, the schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability - PSERS and OPEB plan contributions-PSERS on pages 3 through 14 and 51 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Manheim Central School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations ("CFR")* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of Manheim Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manheim Central School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
December 7, 2021**

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Management's discussion and analysis ("**MD&A**") of the financial performance of the Manheim Central School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2021. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of two elementary schools, a middle school and a senior high school consisting of approximately 2,900 students. The District covers 78.2 square miles seven miles north of the City of Lancaster and is comprised of the Townships of Penn and Rapho and the Borough of Manheim. During 2020-2021, there were 408 employees in the District, consisting of 222 teachers, 19 administrators, including general administration, principals, and supervisors, and 167 support personnel including administrative assistants, maintenance staff, custodial staff, transportation staff, food service staff, technology staff, school monitors and staff nurses.

The mission of the District is "To prepare responsible citizens who are lifelong learners."

FINANCIAL HIGHLIGHTS

- In December 2019, an outbreak of a novel strain of coronavirus ("**COVID-19**") was identified and has since spread worldwide including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. As a result, the District experienced disruptions and operated under virtual, hybrid and in-person learning models during 2020-2021 as conditions permitted.
- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2020-2021 fiscal year of \$11,537,733. During the 2020-2021 fiscal year, the District had a decrease in total net position of \$211,978. The net position of governmental activities decreased by \$424,620 and the net position of the business-type activities increased by \$212,642.
- The General Fund reported an increase of fund balance of \$3,159,038, bringing the cumulative balance to \$24,147,011 at the conclusion of the 2020-2021 fiscal year.
- At June 30, 2021, the General Fund fund balance includes \$200,564 which is considered nonspendable, \$1,000,000 committed to retirement rate stabilization, \$9,300,000 committed to capital projects, \$9,000,000 committed to debt service and unassigned amounts of \$4,646,447 or 7.75% of the \$59,878,537 2021-2022 General Fund expenditure budget. This is in compliance with guidelines prescribed by the Pennsylvania Department of Education which allows a district to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.
- Actual revenues and other financing sources were \$3,036,315 more than budgeted amounts and actual expenditures and other financing uses were \$651,727 less than budgeted amounts resulting in a net overall positive variance of \$3,688,042.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 15 and 16 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The District maintains three major individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 17 through 20 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses its internal service fund to account for the District's self-funded healthcare program. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for its major fund and internal service fund. The proprietary fund financial statements can be found on Pages 21 through 23 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 24 and 25 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 26 through 50 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the general fund, schedules of the District's proportionate share of the net pension liability-PSERS and pension plan contributions-PSERS, schedule of changes in OPEB liability single-employer plan, and the schedules of the District's proportionate share of the net OPEB liability-PSERS and OPEB plan contributions-PSERS.

The required supplementary information can be found on Pages 51 through 56 of this report.

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position may serve over time as a useful indicator of the District's financial condition. At the close of the 2020-2021 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11,537,733. The following table presents condensed information for the *Statement of Net Position* of the District at June 30, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets	\$ 44,546,137	\$ 32,862,959	\$ 69,447	\$ 116,733	\$ 44,615,584	\$ 32,979,692
Noncurrent assets	102,011,734	103,137,270	73,059	87,111	102,084,793	103,224,381
Total assets	<u>146,557,871</u>	<u>136,000,229</u>	<u>142,506</u>	<u>203,844</u>	<u>146,700,377</u>	<u>136,204,073</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>12,538,749</u>	<u>11,027,424</u>	<u>270,305</u>	<u>285,757</u>	<u>12,809,054</u>	<u>11,313,181</u>
LIABILITIES						
Current liabilities	8,593,156	7,026,337	110,335	118,154	8,703,491	7,144,491
Noncurrent liabilities	156,404,678	145,504,796	1,798,365	2,065,791	158,203,043	147,570,587
Total liabilities	<u>164,997,834</u>	<u>152,531,133</u>	<u>1,908,700</u>	<u>2,183,945</u>	<u>166,906,534</u>	<u>154,715,078</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,053,443</u>	<u>4,026,557</u>	<u>87,187</u>	<u>101,374</u>	<u>4,140,630</u>	<u>4,127,931</u>
NET POSITION (DEFICIT)						
Net investment in capital assets	35,584,547	36,154,060	73,059	87,111	35,657,606	36,241,171
Restricted	1,841,698	2,544,604	-	-	1,841,698	2,544,604
Unrestricted (deficit)	<u>(47,380,902)</u>	<u>(48,228,701)</u>	<u>(1,656,135)</u>	<u>(1,882,829)</u>	<u>(49,037,037)</u>	<u>(50,111,530)</u>
Total net position (deficit)	<u>\$ (9,954,657)</u>	<u>\$ (9,530,037)</u>	<u>\$ (1,583,076)</u>	<u>\$ (1,795,718)</u>	<u>\$ (11,537,733)</u>	<u>\$ (11,325,755)</u>

The District's total assets as of June 30, 2021 were \$146,700,377 of which \$40,303,016 or 27.47% consisted of cash and investments and \$102,084,793 or 69.59% consisted of the District's net investment in capital assets. The District's total liabilities as of June 30, 2021 were \$166,906,534 of which \$75,627,724 or 45.31% consisted of general obligation debt used to acquire and construct capital assets and \$74,340,914 or 44.55% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$49,037,037 at June 30, 2021. The District's unrestricted net position increased by \$1,074,493 during 2020-2021 primarily due to the current year results of operations.

A portion of the District's net position reflects its restricted net position which totaled \$1,841,698 as of June 30, 2021. All of the District's restricted net position related to amounts restricted for capital expenditures.

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2021, the District's net investment in capital assets, decreased by \$583,565 because the capital assets were being depreciated faster than the debt used to acquire the capital assets was being repaid.

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The following table presents condensed information for the *Statement of Activities* of the District for 2021 and 2020:

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 542,673	\$ 650,118	\$ 224,495	\$ 612,732	\$ 767,168	\$ 1,262,850
Operating grants and contributions	10,730,024	10,382,093	1,223,816	962,330	11,953,840	11,344,423
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes levied for general purposes	33,874,485	33,588,880	-	-	33,874,485	33,588,880
Earned income taxes levied for general purposes	3,926,130	3,632,518	-	-	3,926,130	3,632,518
Other taxes	1,034,442	638,104	-	-	1,034,442	638,104
Grants and entitlements not restricted to specific programs	8,098,976	8,082,931	-	-	8,098,976	8,082,931
Gain on sale of capital assets	209,914	585,467	-	-	209,914	585,467
Investment earnings	127,475	560,938	96	1,301	127,571	562,239
Total revenues	<u>58,544,119</u>	<u>58,121,049</u>	<u>1,448,407</u>	<u>1,576,363</u>	<u>59,992,526</u>	<u>59,697,412</u>
EXPENSES						
Instruction	36,856,240	36,773,777	-	-	36,856,240	36,773,777
Instructional student support services	4,208,685	4,438,874	-	-	4,208,685	4,438,874
Administrative and financial support services	6,351,674	5,961,138	-	-	6,351,674	5,961,138
Operation and maintenance of plant services	5,034,116	4,271,730	-	-	5,034,116	4,271,730
Pupil transportation	2,953,338	3,150,567	-	-	2,953,338	3,150,567
Student activities	1,271,352	1,347,792	-	-	1,271,352	1,347,792
Community services	24,620	36,513	-	-	24,620	36,513
Interest and amortization expense related to non-current liabilities	2,268,714	1,388,828	-	-	2,268,714	1,388,828
Food service	-	-	1,235,765	1,706,251	1,235,765	1,706,251
Total expenses	<u>58,968,739</u>	<u>57,369,219</u>	<u>1,235,765</u>	<u>1,706,251</u>	<u>60,204,504</u>	<u>59,075,470</u>
CHANGE IN NET POSITION	<u>\$ (424,620)</u>	<u>\$ 751,830</u>	<u>\$ 212,642</u>	<u>\$ (129,888)</u>	<u>\$ (211,978)</u>	<u>\$ 621,942</u>

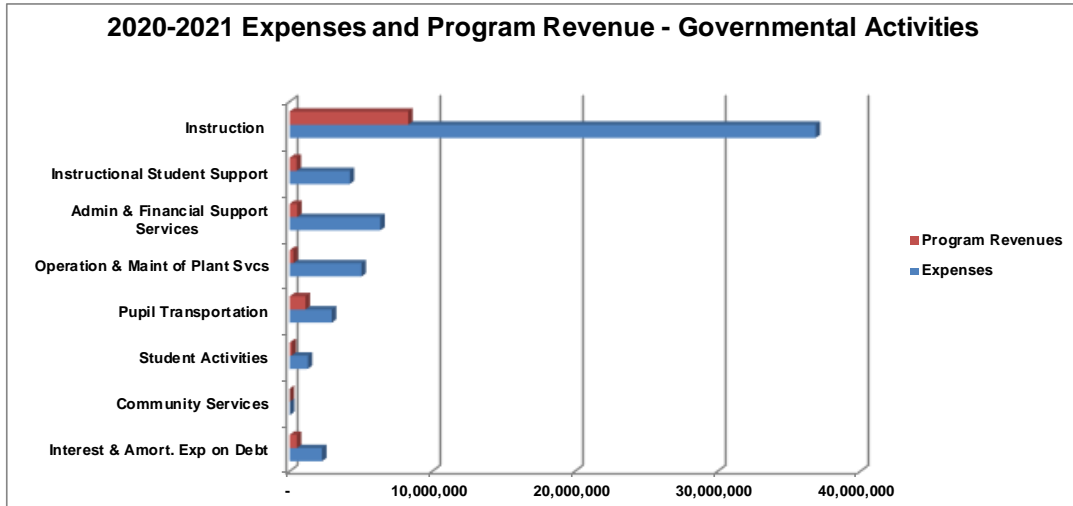
Overall, the District's financial position has been improving but challenges such as increased medical costs, pension contributions, state-mandated programs and negotiated contracts have a potential to offset these gains in future fiscal years. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities.

MANHEIM CENTRAL SCHOOL DISTRICT

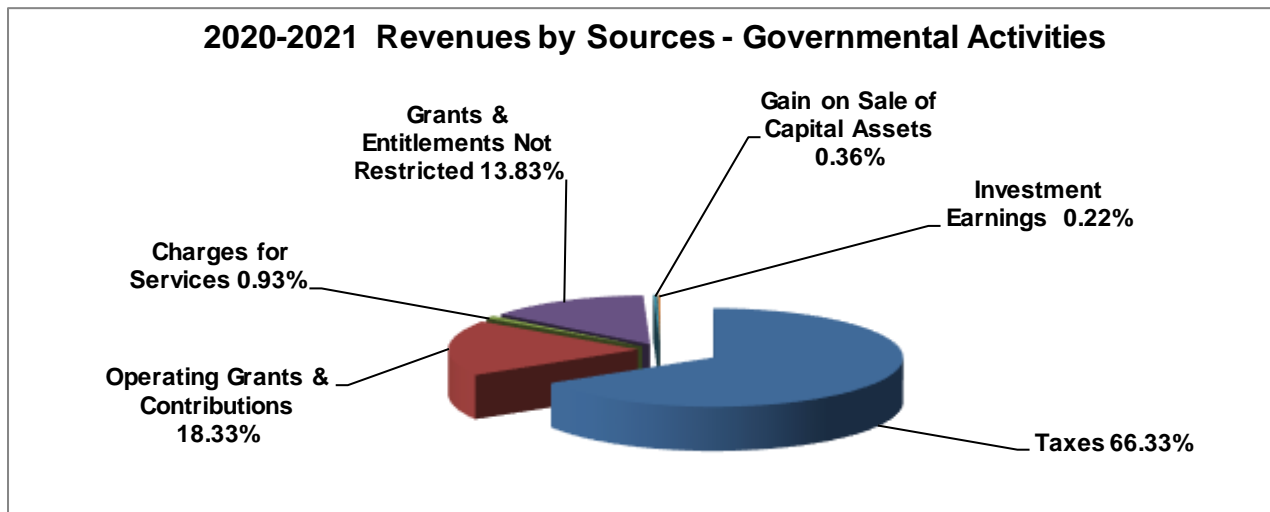
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

GOVERNMENTAL FUNDS

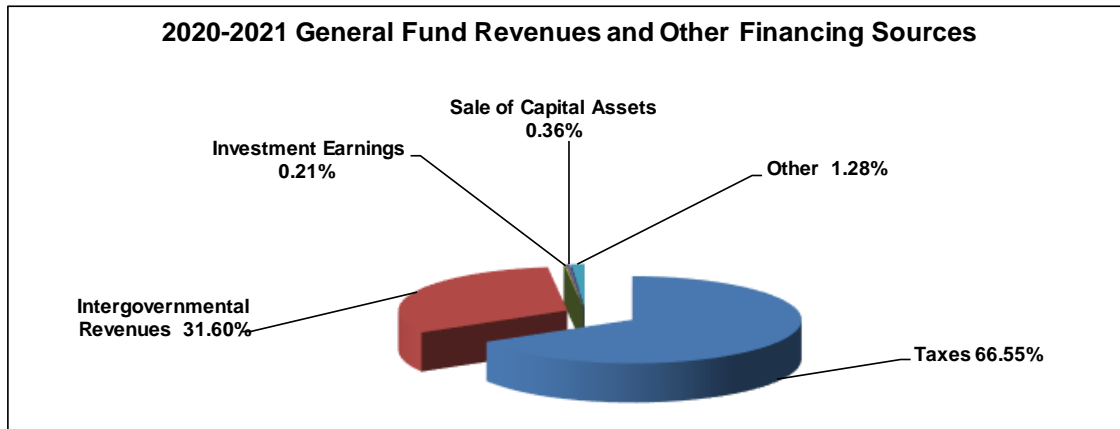
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2021, the District's governmental funds reported a combined fund balance of \$35,877,330 which is an increase of \$11,099,853 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2021 and 2020 and the total 2021 change in governmental fund balances.

	<u>2021</u>	<u>2020</u>	<u>Change</u>
General Fund	\$24,147,011	\$20,987,973	\$ 3,159,038
Capital Projects Fund	<u>11,730,319</u>	<u>3,789,504</u>	<u>7,940,815</u>
	<u>\$35,877,330</u>	<u>\$24,777,477</u>	<u>\$11,099,853</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2020-2021 fiscal year, the General Fund fund balance was \$24,147,011 representing an increase of \$3,159,038 in relation to the prior year. The increase in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2020-2021 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 66.55% of General Fund revenues are derived from local taxes.



General Fund Revenues and Other Financing Sources

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$39,212,059	\$37,454,669	\$ 1,757,390	4.69
Intergovernmental revenues	18,620,103	18,202,360	417,743	2.29
Investment earnings	122,930	512,383	(389,453)	(76.01)
Other	751,570	885,160	(133,590)	(15.09)
Sale of capital assets	<u>209,914</u>	<u>2,135,500</u>	<u>(1,925,586)</u>	<u>(90.17)</u>
	<u>\$58,916,576</u>	<u>\$59,190,072</u>	<u>\$ (273,496)</u>	<u>(0.46)</u>

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Net tax revenues increased by \$1,757,390 or 4.69% due to several factors. Increases in the District's real estate tax collection rate, assessed value, delinquent real estate tax collections, and realty transfer tax account for the change. The following table summarizes the changes in the District's tax revenues 2021 compared to 2020:

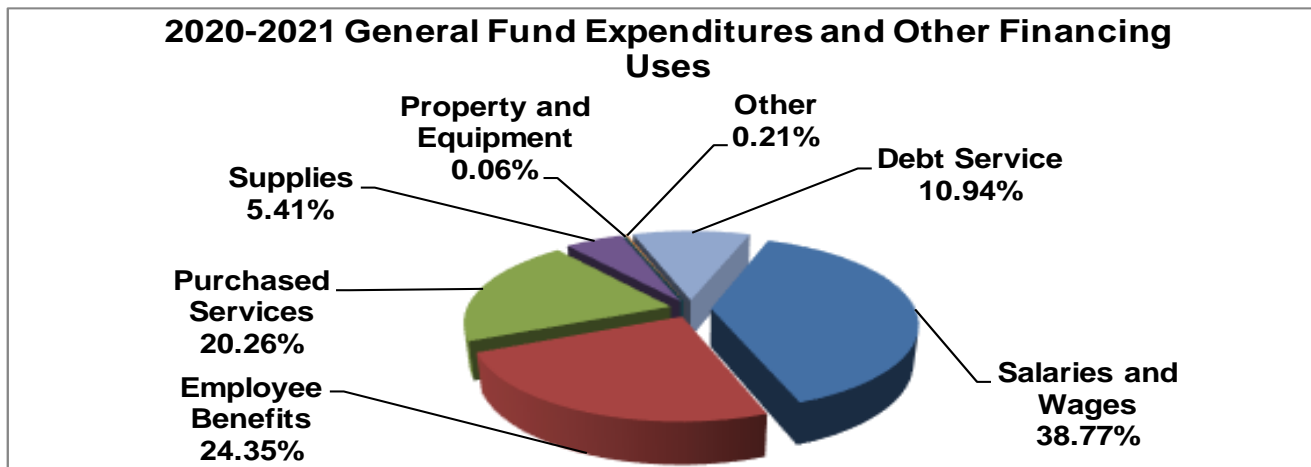
	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$32,948,282	\$32,402,641	\$ 545,641	1.68
Interim real estate tax	182,119	377,116	(194,997)	(51.71)
PURTA tax	35,827	32,528	3,299	10.14
Payments in lieu of tax	2,985	2,985	-	-
Earned income tax	3,926,130	3,632,518	293,612	8.08
Realty transfer tax	995,630	602,591	393,039	65.22
Delinquent real estate tax	<u>1,121,086</u>	<u>404,290</u>	<u>716,796</u>	<u>177.30</u>
	<u>\$39,212,059</u>	<u>\$37,454,669</u>	<u>\$1,757,390</u>	<u>4.69</u>

Intergovernmental revenues increased primarily due to additional funding received for the state retirement subsidy commensurate with the increase in the PSERS retirement rate and increase in salaries.

Investment earnings decreased commensurate with interest rates and amounts invested.

Sale of capital assets in the amount of \$2,135,500 in 2020 was due to the sale of the H.C. Burgard Elementary School.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$21,616,495	\$21,526,434	\$ 90,061	0.42
Employee benefits	13,578,855	12,900,782	678,073	5.26
Purchased services	11,297,309	11,566,064	(268,755)	(2.32)
Supplies	3,016,404	2,615,818	400,586	15.31
Property and equipment	31,144	43,037	(11,893)	(27.63)
Other	114,977	127,895	(12,918)	(10.10)
Debt service	6,102,354	6,021,164	81,190	1.35
Transfers out	-	<u>2,134,272</u>	<u>(2,134,272)</u>	<u>100.00</u>
	<u>\$55,757,538</u>	<u>\$56,935,466</u>	<u>\$(1,177,928)</u>	<u>(2.07)</u>

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Salaries and wages increased by \$90,061 or 0.42% in 2020-2021 compared to 2019-2020 as a result of scheduled increases within the District's negotiated collective bargaining agreements as well as increases for other staff.

Employee benefits increased by \$670,426 or 5.21% primarily due to a \$506,304 increase in healthcare and a \$262,662 increase in retirement costs.

Purchased services decreased by \$261,108 or 2.25% primarily due to decreased need for various services such as Intermediate Unit support services and transportation services.

Supplies expenditures increased by \$400,586 or 15.31% due to an increase of technology supplies of \$448,872 purchased with various COVID-19 relief funds.

Transfers out in the prior year included a transfer to the capital projects fund of \$2.1 million of the proceeds from the sale of H.C. Burgard Elementary School.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. During 2020-2021, the Capital Projects Fund reported an increase in fund balance of \$7,940,815 due to the issuance of bonds and bond premiums in excess of capital expenditures. The remaining fund balance of \$11,730,319 as of June 30, 2021 is restricted for future capital expenditures.

GENERAL FUND BUDGET INFORMATION

Actual revenues and other financing sources were \$3,036,315 more than budgeted amounts and actual expenditures and other financing uses were \$651,727 less than budgeted amounts resulting in a net overall positive variance of \$3,688,042. Major budgetary highlights for 2020-2021 were as follows:

- Local source revenues were \$2,601,577 or 6.91% higher than budgeted amounts. This was primarily due to budgets being reduced due to guidance indicating the potential negative impact of COVID-19 on the local economy. Actual local revenues were not impacted. In addition, transfer taxes and delinquent taxes were \$1.044 million over budget due to several high-profile real estate transactions.
- Federal source revenues were \$213,334 or 11.22% higher than budgeted amounts due primarily to the additional receipt of \$601,584 in various COVID relief funds.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2020-2021, the net position of the business-type activities and Food Service Fund increased by \$212,642 mainly as a result of operations. As of June 30, 2021, the business-type activities and Food Service Fund had a deficit in net position of \$1,583,076. The deficit in net position correlates to the business-type activities and Food Service Fund recording its proportionate share of the net pension and OPEB liability in PSERS.

CAPITAL ASSETS

The District's net investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$102,084,793 net of accumulated depreciation. This investment in capital assets includes land and improvements, buildings and improvements and furniture and equipment. The total decrease in the District's net investment in capital assets for the current fiscal year was \$1,139,588 or 1.10%. The decrease was the result of current year depreciation in excess of current year additions.

Current year capital outlays were \$3,712,675 and current year depreciation expense was \$4,852,263.

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

Major capital additions for the current fiscal year included the following:

• High School renovation project – construction in progress	\$1,640,744
• Running track resurfacing	\$ 231,585
• Next Step program house	\$ 247,431
• Information technology equipment – capital leases	\$1,392,490

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$75,627,724 consisting of \$71,920,000 in bonds payable and bond premiums of \$3,707,724. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$7,218,406 or 10.55% during the fiscal year.

On November 12, 2020, the District issued \$9,995,000 of general obligation bonds, Series of 2020. The proceeds of the bonds will be used to fund various capital projects of the District, and to pay for the costs of issuance.

On January 7, 2021, the District issued \$10,105,000 of general obligation bonds, Series of 2021. The proceeds of the bonds were used to advance refund the District's general obligation bonds, Series of 2017, and to pay for the costs of issuance. The District refunded the general obligation bonds to reduce future debt service payments by \$1,676,488.

On March 3, 2021, the District issued \$9,915,000 of general obligation bonds, Series A of 2021. The proceeds of the bonds were used to advance refund the District's general obligation bonds, Series of 2015, and to pay for the costs of issuance. The District refunded the general obligation bonds to reduce future debt service payments by \$1,241,047.

The District maintains an AA- (Stable Outlook) rating from Standard and Poor's.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$125,289,354 which exceeds the District's outstanding general obligation debt as of June 30, 2021.

The District reports its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$74,350,914 as of June 30, 2021. The District's net pension liability increased by \$1,978,219 or 2.73% during the fiscal year.

The District reports a liability for its other post-employment benefits ("**OPEB**") related to its single employer OPEB plan and its participation in the PSERS health insurance premium assistance program. The District's OPEB liability is an actuarially determined estimate of the unfunded cost of the OPEB obligation which totaled \$5,894,743 as of June 30, 2021. The District's OPEB liability increased by \$611,197 or 11.57% during the fiscal year.

Other noncurrent liabilities consist of the District's liabilities for accrued retirement bonuses, compensated absences and capital leases payable, which totaled \$2,329,662 as of June 30, 2021. These liabilities increased by \$824,634 or 54.79% during the fiscal year.

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is financially strong which is evidenced by a positive fund balance in the General Fund. The positive General Fund balance serves the District by generating interest income and providing needed cash when expenses may exceed revenues. The District has also committed significant portions of the fund balance to offset future year's retirement expenses through the Pennsylvania State Retirement Employee System ("**PSERS**"), capital needs, and debt service requirements. Additionally, the District has maintained a positive balance in the self-insurance fund, which can be used to offset increases in future claims experience and fund catastrophic healthcare claims. The District also maintains a capital projects fund which can be used to fund future capital projects.

The District has committed itself to financial excellence for many years. While the District's system of budgeting and internal controls is well regarded, all its financial abilities will be needed to meet future challenges.

The District adopted a 2021-2022 budget totaling \$59,878,537 which used \$235,450 of General Fund fund balance consisting of both unassigned and committed funds and the real estate tax millage rate increased by 3.00%.

Teacher Contract

The current collective bargaining agreement ("**CBA**") between the District and the Manheim Central Education Association ("**MCEA**"), the teachers' local bargaining unit, was approved in December 2018. The current agreement will expire on June 30, 2023. Currently, the District and the MCEA continue to enjoy positive labor relations.

Facilities

Bids in the amount of \$55,426,950 were accepted for the additions and renovations to the Manheim Central High School. The project, designed by Crabtree Rohrbaugh and Associates, has a total budget of \$61,750,000. Construction on the renovations and additions started in June 2021. The project has an expected completion date in July 2024.

Employee Benefits' Costs

All school districts in the Commonwealth are facing the common problem of increasing employee benefit costs. The two primary areas of concern are PSERS and self-insured medical and dental costs due to the federal health care reform bill.

The financial performance of the PSERS will determine, in large part, future increases in the employer contribution rate. The rate for 2020-2021 was 34.51% of salary. The retirement rate for 2021-2022 is 34.94% and in 2022-2023 the projected rate is 35.79%. The retirement rate will increase incrementally each year projected out to 2023-2024 at 36.38%. The cost of the retirement expense is shared between the District and the Commonwealth and is a significant concern for future budgets. The District's current general fund balance includes \$1 million committed to smooth out the impact on future budgets.

Medical costs continue to be a concern for the District as the projections remain for expenses to continue to increase along the national trends. The District maintains an Internal Service Fund to help offset future healthcare costs. The effects of the Patient Protection and Affordable Care Act ("**PPACA**") as well as impacts from COVID-19 and healthcare trends may create an additional burden on the District to contain the rate of increase in healthcare costs.

Act 1

The passage of Act 1 has impacted the District like all other school districts in the Commonwealth. A major provision of the Act is the imposition of an annual index, calculated by the Pennsylvania Department of Education and released in September for effect in the year starting July 1. This index is the maximum percent increase of the millage rate that a School Board can approve without a voter referendum.

MANHEIM CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2021

The history of the District shows a performance record of remaining within the limits of the index. In fact, the District's tax increase has been less than the index five times in the last 10 years and twice there was no increase. The 2019-2020 index limit was 2.30% and the index for 2020-2021 was 2.60%. The index for the current year of 2021-2022 is 3.00%, while the 2022-2023 index is set at 3.40%.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Manheim Central School District, 281 White Oak Road, Manheim, PA 17545.

MANHEIM CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021 with summarized comparative totals for 2020

	Governmental	Business-type	Totals	
	Activities	Activities	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 40,190,135	\$ 112,881	\$ 40,303,016	\$ 13,596,716
Investments	-	-	-	14,900,000
Taxes receivable	1,734,553	-	1,734,553	1,797,572
Due from other governments	1,822,355	-	1,822,355	1,713,713
Internal balances	148,739	(148,739)	-	-
Other receivables	449,791	-	449,791	622,201
Inventories	101,330	105,305	206,635	216,151
Prepaid expenses	99,234	-	99,234	133,339
Total current assets	<u>44,546,137</u>	<u>69,447</u>	<u>44,615,584</u>	<u>32,979,692</u>
NONCURRENT ASSETS				
Capital assets, net	102,011,734	73,059	102,084,793	103,224,381
Total assets	<u>146,557,871</u>	<u>142,506</u>	<u>146,700,377</u>	<u>136,204,073</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on debt refunding	559,974	-	559,974	746,633
Deferred charges OPEB - single employer	582,674	-	582,674	100,230
Deferred charges on proportionate share of OPEB - PSERS	373,272	8,854	382,126	352,906
Deferred charges on proportionate share of pension - PSERS	11,022,829	261,451	11,284,280	10,113,412
Total deferred outflows of resources	<u>12,538,749</u>	<u>270,305</u>	<u>12,809,054</u>	<u>11,313,181</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	1,693,529	2,400	1,695,929	438,256
Accrued salaries, payroll withholdings and benefits	6,336,467	2,815	6,339,282	6,128,220
Accrued interest payable	404,887	-	404,887	363,423
Unearned revenue	-	105,120	105,120	107,059
Other liabilities	158,273	-	158,273	107,533
Total current liabilities	<u>8,593,156</u>	<u>110,335</u>	<u>8,703,491</u>	<u>7,144,491</u>
NONCURRENT LIABILITIES				
Due within one year	7,604,260	-	7,604,260	4,685,223
Due in more than one year	148,800,418	1,798,365	150,598,783	142,885,364
Total noncurrent liabilities	<u>156,404,678</u>	<u>1,798,365</u>	<u>158,203,043</u>	<u>147,570,587</u>
Total liabilities	<u>164,997,834</u>	<u>1,908,700</u>	<u>166,906,534</u>	<u>154,715,078</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits OPEB - single employer	377,630	-	377,630	414,931
Deferred credits on proportionate share of OPEB - PSERS	178,760	4,240	183,000	162,000
Deferred credits on proportionate share of pension - PSERS	3,497,053	82,947	3,580,000	3,551,000
Total deferred inflows of resources	<u>4,053,443</u>	<u>87,187</u>	<u>4,140,630</u>	<u>4,127,931</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	35,584,547	73,059	35,657,606	36,241,171
Restricted	1,841,698	-	1,841,698	2,544,604
Unrestricted (deficit)	(47,380,902)	(1,656,135)	(49,037,037)	(50,111,530)
Total net position (deficit)	<u>\$ (9,954,657)</u>	<u>\$ (1,583,076)</u>	<u>\$ (11,537,733)</u>	<u>\$ (11,325,755)</u>

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with summarized comparative totals for 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position (Deficit)			
	Expenses	Charges	Operating	Capital	Governmental	Business-type	Totals	
		for	Grants and	Grants and			2021	2020
	Services	Contributions	Contributions	Activities	Activities			
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 36,856,240	\$ 525,448	\$ 7,768,643	\$ -	\$ (28,562,149)	\$ -	\$ (28,562,149)	\$ (29,541,264)
Instructional student support	4,208,685	-	477,439	-	(3,731,246)	-	(3,731,246)	(3,977,985)
Administrative and financial support services	6,351,674	-	523,215	-	(5,828,459)	-	(5,828,459)	(5,491,078)
Operation and maintenance of plant services	5,034,116	12,740	238,075	-	(4,783,301)	-	(4,783,301)	(3,863,563)
Pupil transportation	2,953,338	-	1,101,058	-	(1,852,280)	-	(1,852,280)	(1,974,471)
Student activities	1,271,352	4,485	124,677	-	(1,142,190)	-	(1,142,190)	(1,145,892)
Community services	24,620	-	-	-	(24,620)	-	(24,620)	(36,513)
Interest and amortization expense related to noncurrent liabilities	2,268,714	-	496,917	-	(1,771,797)	-	(1,771,797)	(306,242)
Total governmental activities	58,968,739	542,673	10,730,024	-	(47,696,042)	-	(47,696,042)	(46,337,008)
BUSINESS-TYPE ACTIVITIES								
Food service	1,235,765	224,495	1,223,816	-	-	212,546	212,546	(131,189)
Total primary government	\$ 60,204,504	\$ 767,168	\$ 11,953,840	\$ -	(47,696,042)	212,546	(47,483,496)	(46,468,197)
GENERAL REVENUES								
Property taxes levied for general purposes					33,874,485	-	33,874,485	33,588,880
Earned income taxes levied for general purposes					3,926,130	-	3,926,130	3,632,518
Other taxes					1,034,442	-	1,034,442	638,104
Grants and entitlements not restricted to specific programs					8,098,976	-	8,098,976	8,082,931
Gain on sale of capital assets					209,914	-	209,914	585,467
Investment earnings					127,475	96	127,571	562,239
Total general revenues and transfers					47,271,422	96	47,271,518	47,090,139
CHANGE IN NET POSITION (DEFICIT)					(424,620)	212,642	(211,978)	621,942
NET POSITION (DEFICIT)								
Beginning of year					(9,530,037)	(1,795,718)	(11,325,755)	(11,947,697)
End of year					\$ (9,954,657)	\$ (1,583,076)	\$ (11,537,733)	\$ (11,325,755)

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2021 with summarized comparative totals for 2020

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2021	2020
ASSETS				
Cash	\$ 25,838,428	\$ 12,866,967	\$ 38,705,395	\$ 12,678,720
Investments	-	-	-	14,200,000
Taxes receivable	1,734,553	-	1,734,553	1,797,572
Due from other funds	1,093,081	-	1,093,081	605,002
Due from other governments	1,822,355	-	1,822,355	1,686,663
Other receivables	449,791	-	449,791	622,201
Inventories	101,330	-	101,330	64,566
Prepaid items	99,234	-	99,234	133,339
Total assets	\$ 31,138,772	\$ 12,866,967	\$ 44,005,739	\$ 31,788,063
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 556,881	\$ 1,136,648	\$ 1,693,529	\$ 433,050
Due to other funds	-	-	-	182,039
Accrued salaries, payroll withholdings and benefits	5,847,999	-	5,847,999	5,482,354
Other liabilities	158,273	-	158,273	107,533
Total liabilities	6,563,153	1,136,648	7,699,801	6,204,976
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	428,608	-	428,608	805,610
FUND BALANCES				
Nonspendable				
Inventories	101,330	-	101,330	64,566
Prepaid items	99,234	-	99,234	133,339
Restricted for				
Capital projects	-	11,730,319	11,730,319	3,789,504
Committed to				
Retirement rate stabilization	1,000,000	-	1,000,000	2,000,000
Capital projects	9,300,000	-	9,300,000	9,300,000
Debt service	9,000,000	-	9,000,000	5,000,000
Unassigned	4,646,447	-	4,646,447	4,490,068
Total fund balances	24,147,011	11,730,319	35,877,330	24,777,477
Total liabilities, deferred inflows of resources and fund balances	\$ 31,138,772	\$ 12,866,967	\$ 44,005,739	\$ 31,788,063

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION (DEFICIT)

June 30, 2021

TOTAL GOVERNMENTAL FUND BALANCES	\$ 35,877,330
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	102,011,734
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	559,974
Deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits are not reported as assets and liabilities in the governmental funds balance sheet.	7,925,332
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources on the governmental funds balance sheet.	428,608
The Internal Service Fund is used by management to charge the cost of health insurance and unemployment claims to the General Fund. The assets and liabilities of the District's Internal Service Fund are included in the governmental activities on the government-wide statement of net position (deficit).	51,930
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(156,404,678)
Accrued interest payable on long-term liabilities is included in the statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable.	<u>(404,887)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (9,954,657)</u>

MANHEIM CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	Major Funds		Totals	
	General	Capital	2021	2020
	Fund	Projects		
REVENUES				
Local sources	\$ 40,231,057	\$ 4,545	\$ 40,235,602	\$ 39,004,017
State sources	16,360,029	-	16,360,029	16,793,485
Federal sources	2,115,576	-	2,115,576	1,333,247
Total revenues	<u>58,706,662</u>	<u>4,545</u>	<u>58,711,207</u>	<u>57,130,749</u>
EXPENDITURES				
Current				
Instruction	32,740,743	-	32,740,743	32,021,954
Support services	15,785,258	2,164,311	17,949,569	16,179,101
Operation of noninstructional services	1,129,183	52,188	1,181,371	1,971,606
Facilities acquisition, construction and improvement services	-	2,519,889	2,519,889	2,187,973
Debt service	6,102,354	-	6,102,354	6,021,164
Total expenditures	<u>55,757,538</u>	<u>4,736,388</u>	<u>60,493,926</u>	<u>58,381,798</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,949,124</u>	<u>(4,731,843)</u>	<u>(1,782,719)</u>	<u>(1,251,049)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt - refunding	-	20,020,000	20,020,000	8,885,000
Issuance of debt	-	9,995,000	9,995,000	-
Payment of debt - refunding	-	(19,768,998)	(19,768,998)	(9,136,894)
Bond premiums	-	1,034,157	1,034,157	418,938
Proceeds from extended term financing	-	1,392,499	1,392,499	429,992
Sale of/compensation for capital assets	209,914	-	209,914	2,135,500
Refund of prior year receipts	-	-	-	(6,325)
Refund of prior years expenditures	-	-	-	35,147
Transfers in	-	-	-	2,134,272
Transfers out	-	-	-	(2,134,272)
Total other financing sources (uses)	<u>209,914</u>	<u>12,672,658</u>	<u>12,882,572</u>	<u>2,761,358</u>
NET CHANGE IN FUND BALANCES	<u>3,159,038</u>	<u>7,940,815</u>	<u>11,099,853</u>	<u>1,510,309</u>
FUND BALANCES				
Beginning of year	<u>20,987,973</u>	<u>3,789,504</u>	<u>24,777,477</u>	<u>23,267,168</u>
End of year	<u>\$ 24,147,011</u>	<u>\$ 11,730,319</u>	<u>\$ 35,877,330</u>	<u>\$ 24,777,477</u>

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 11,099,853

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 3,712,675	
Depreciation expense	<u>(4,838,211)</u>	(1,125,536)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount in the current period.

Deferred inflows of resources June 30, 2020	(805,610)	
Deferred inflows of resources June 30, 2021	<u>428,608</u>	(377,002)

The Internal Service Fund is used by management to charge the cost of health insurance and unemployment premiums and claims to the General Fund. The change in net position of the Internal Service Fund is reported with the governmental activities.

(565,028)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on the change in net position of governmental activities. Also, governmental funds report the effect of premiums, discounts and similar items when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from capital leases payable	(1,392,490)	
Proceeds from issuance of bonds	(9,995,000)	
Proceeds from issuance of bonds - refunding	(20,020,000)	
Proceeds from bond premiums	(1,034,157)	
Repayment of bonds payable	3,610,000	
Repayment of bonds payable - refunding	19,220,000	
Repayment of capital leases payable	709,856	
Amortization of discounts, premiums and deferred amounts on refunding	<u>814,092</u>	(8,087,699)

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures on governmental funds.

Current year change in accrued interest payable	(41,464)	
Current year change in accrued retirement bonuses	(76,214)	
Current year change in compensated absences	(65,786)	
Current year change in net pension liability - PSERS and deferred outflows and inflows	(1,088,972)	
Current year change in OPEB liability - single employer and deferred outflows and inflows	(114,703)	
Current year change in net OPEB liability - PSERS and deferred outflows and inflows	<u>17,931</u>	<u>(1,369,208)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES **\$ (424,620)**

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Fund</u>		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 112,881	\$ 1,484,740	\$ 1,597,621	\$ 917,996
Investments	-	-	-	700,000
Due from other governments	-	-	-	27,050
Due from other funds	-	-	-	-
Other receivables	-	-	-	-
Inventories	<u>105,305</u>	<u>-</u>	<u>105,305</u>	<u>151,585</u>
Total current assets	<u>218,186</u>	<u>1,484,740</u>	<u>1,702,926</u>	<u>1,796,631</u>
NONCURRENT ASSETS				
Capital assets, net	<u>73,059</u>	<u>-</u>	<u>73,059</u>	<u>87,111</u>
Total assets	<u>291,245</u>	<u>1,484,740</u>	<u>1,775,985</u>	<u>1,883,742</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on proportionate share of pension - PSERS	261,451	-	261,451	276,122
Deferred charges on proportionate share of OPEB - PSERS	<u>8,854</u>	<u>-</u>	<u>8,854</u>	<u>9,635</u>
Total deferred outflows of resources	<u>270,305</u>	<u>-</u>	<u>270,305</u>	<u>285,757</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
LIABILITIES				
Accounts payable	2,400	-	2,400	5,206
Due to other funds	148,739	944,342	1,093,081	422,963
Accrued salaries, payroll withholdings and benefits	2,815	488,468	491,283	645,866
Unearned revenue	<u>105,120</u>	<u>-</u>	<u>105,120</u>	<u>107,059</u>
Total current liabilities	<u>259,074</u>	<u>1,432,810</u>	<u>1,691,884</u>	<u>1,181,094</u>
NONCURRENT LIABILITIES				
Net OPEB liability	75,694	-	75,694	89,832
Net pension liability	<u>1,722,671</u>	<u>-</u>	<u>1,722,671</u>	<u>1,975,959</u>
Total noncurrent liabilities	<u>1,798,365</u>	<u>-</u>	<u>1,798,365</u>	<u>2,065,791</u>
Total liabilities	<u>2,057,439</u>	<u>1,432,810</u>	<u>3,490,249</u>	<u>3,246,885</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred credits on proportionate share of pension - PSERS	82,947	-	82,947	96,951
Deferred credits on proportionate share of OPEB - PSERS	<u>4,240</u>	<u>-</u>	<u>4,240</u>	<u>4,423</u>
Total deferred inflows of resources	<u>87,187</u>	<u>-</u>	<u>87,187</u>	<u>101,374</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	73,059	-	73,059	87,111
Unrestricted (deficit)	<u>(1,656,135)</u>	<u>51,930</u>	<u>(1,604,205)</u>	<u>(1,265,871)</u>
Total net position (deficit)	<u>\$ (1,583,076)</u>	<u>\$ 51,930</u>	<u>\$ (1,531,146)</u>	<u>\$ (1,178,760)</u>

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Fund</u>		
OPERATING REVENUES				
Charges for services	\$ 224,495	\$ 4,745,205	\$ 4,969,700	\$ 4,752,553
OPERATING EXPENSES				
Salaries	512,722	-	512,722	604,232
Employee benefits	83,531	5,310,535	5,394,066	5,355,474
Purchased services	34,704	-	34,704	28,707
Supplies	590,182	-	590,182	698,894
Depreciation	14,052	-	14,052	25,559
Other	574	-	574	686
Total operating expenses	<u>1,235,765</u>	<u>5,310,535</u>	<u>6,546,300</u>	<u>6,713,552</u>
Operating loss	<u>(1,011,270)</u>	<u>(565,330)</u>	<u>(1,576,600)</u>	<u>(1,960,999)</u>
NONOPERATING REVENUES				
Earnings on investments	96	302	398	20,436
Local sources	1,500	-	1,500	3,918
State sources	140,572	-	140,572	162,378
Federal sources	1,081,744	-	1,081,744	796,034
Total nonoperating revenues	<u>1,223,912</u>	<u>302</u>	<u>1,224,214</u>	<u>982,766</u>
CHANGE IN NET POSITION (DEFICIT)	<u>212,642</u>	<u>(565,028)</u>	<u>(352,386)</u>	<u>(978,233)</u>
NET POSITION (DEFICIT)				
Beginning of year	<u>(1,795,718)</u>	<u>616,958</u>	<u>(1,178,760)</u>	<u>(200,527)</u>
End of year	<u>\$ (1,583,076)</u>	<u>\$ 51,930</u>	<u>\$ (1,531,146)</u>	<u>\$ (1,178,760)</u>

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2021 with summarized comparative totals for 2020

	<u>Major Fund</u>	<u>Internal</u>	<u>Totals</u>	
	<u>Food Service</u>	<u>Service</u>	<u>2021</u>	<u>2020</u>
	<u>Fund</u>	<u>Fund</u>		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from charges for services	\$ 222,592	\$ -	\$ 222,592	\$ 657,637
Cash received from assessments made to other funds	-	5,462,044	5,462,044	4,754,580
Cash payments to employees for services	(912,209)	-	(912,209)	(779,800)
Cash payments for insurance claims	-	(5,462,044)	(5,462,044)	(4,754,580)
Cash payments to supplies for goods and services	(505,520)	-	(505,520)	(654,988)
Cash payments for other operating expenses	(574)	-	(574)	(686)
Net cash used for operating activities	<u>(1,195,711)</u>	<u>-</u>	<u>(1,195,711)</u>	<u>(777,837)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State sources	141,740	-	141,740	162,014
Federal sources	1,031,698	-	1,031,698	689,087
Local sources	1,500	-	1,500	3,918
Net cash provided by noncapital financing activities	<u>1,174,938</u>	<u>-</u>	<u>1,174,938</u>	<u>855,019</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	96	302	398	20,436
Sale of investments	-	700,000	700,000	-
Net cash provided by (used for) investing activities	<u>96</u>	<u>700,302</u>	<u>700,398</u>	<u>20,436</u>
Net increase (decrease) in cash	(20,677)	700,302	679,625	97,618
CASH				
Beginning of year	<u>133,558</u>	<u>784,438</u>	<u>917,996</u>	<u>820,378</u>
End of year	<u>\$ 112,881</u>	<u>\$ 1,484,740</u>	<u>\$ 1,597,621</u>	<u>\$ 917,996</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating loss	\$ (1,011,270)	\$ (565,330)	\$ (1,576,600)	\$ (1,960,999)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities				
Depreciation	14,052	-	14,052	25,559
Donated commodities used	75,928	-	75,928	92,518
(Increase) decrease in				
Due from other funds	-	716,839	716,839	471,597
Other receivables	-	-	-	6,532
Inventories	46,280	-	46,280	(52,710)
Deferred outflows of resources	15,452	-	15,452	51,263
Increase (decrease) in				
Accounts payable	(2,807)	-	(2,807)	42
Due to other funds	(46,721)	-	(46,721)	319,949
Accrued salaries, payroll withholdings and benefits	(3,074)	(151,509)	(154,583)	257,037
Unearned revenue	(1,938)	-	(1,938)	71,136
Net OPEB liability	(14,138)	-	(14,138)	359
Net pension liability	(253,288)	-	(253,288)	(84,114)
Deferred inflows of resources	(14,187)	-	(14,187)	23,994
Net cash provided by (used for) operating activities	<u>\$ (1,195,711)</u>	<u>\$ -</u>	<u>\$ (1,195,711)</u>	<u>\$ (777,837)</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity				
USDA donated commodities	<u>\$ 75,928</u>	<u>\$ -</u>	<u>\$ 75,928</u>	<u>\$ 92,518</u>

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2021 with summarized comparative totals

	Private- Purpose Trust	Custodial Fund	Totals	
			2021	2020
ASSETS				
Cash	\$ 969,335	\$ 174,002	\$ 1,143,337	\$ 1,217,674
Other receivables	100	-	100	-
Total assets	<u>969,435</u>	<u>\$ 174,002</u>	<u>1,143,437</u>	<u>\$ 1,217,674</u>
LIABILITIES				
Accounts payable	-	60	60	991
NET POSITION				
Restricted for scholarships	969,435	-	969,435	1,021,077
Restricted for student activities	-	173,942	173,942	195,606
Total net position	<u>\$ 969,435</u>	<u>\$ 173,942</u>	<u>\$ 1,143,377</u>	<u>\$ 1,216,683</u>

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

Year ended June 30, 2021

	Private- Purpose Trust	Custodial Fund	Totals	
			2021	2020
ADDITIONS				
Receipts from student groups	\$ -	\$ 75,035	\$ 75,035	\$ 188,385
Local contributions	<u>133</u>	<u>179</u>	<u>312</u>	<u>14,706</u>
Total additions	<u>133</u>	<u>75,214</u>	<u>75,347</u>	<u>203,091</u>
DEDUCTIONS				
Scholarships awarded and fees paid	51,775	-	51,775	14,275
Student activities disbursements	<u>-</u>	<u>96,878</u>	<u>96,878</u>	<u>172,469</u>
Total deductions	<u>51,775</u>	<u>96,878</u>	<u>148,653</u>	<u>186,744</u>
CHANGE IN NET POSITION	(51,642)	(21,664)	(73,306)	16,347
NET POSITION				
Beginning of year	<u>1,021,077</u>	<u>195,606</u>	<u>1,216,683</u>	<u>1,200,336</u>
End of year	<u>\$ 969,435</u>	<u>\$ 173,942</u>	<u>\$ 1,143,377</u>	<u>\$ 1,216,683</u>

See accompanying notes

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Manheim Central School District (the "**District**") operates two elementary schools, a middle school and a senior high school to provide education and related services to the residents in the Townships of Penn and Rapho and the Borough of Manheim. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position of the District is reported as restricted when constraints placed on net position use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The Internal Service Fund is used to account for the District's self-funded health insurance and unemployment programs.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds reporting focuses on net assets and changes in net assets and are accounted for using the economic resources measurement focus and the accrual basis of accounting. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and custodial funds. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. Custodial funds are used to account for assets held on behalf of individuals and/or governmental units and are, therefore, not available to support the District's own programs. The District has one custodial consisting of funds held on behalf of the students.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value based upon quoted market prices, except for certificates of deposit which are recorded at cost, which approximates fair value.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the District. Unobservable inputs reflect the District's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the District's own assumptions.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
January 1	- Lien date

The County Board of Assessments determines assessed valuations of property, and the District bills and collects its own property taxes. The tax on real estate for public school purposes for fiscal 2020-2021 was 14.6613 mills (\$14.66 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	- August 31
Installment Two	- October 31
Installment Three	- December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: land improvements – 20 years; buildings and improvements – 40 years; furniture and equipment – 5-12 years; and vehicles – 5-10 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2021.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only to the extent they have matured, for example, as a result of employee resignations and retirements.

Accrued Retirement Bonus

Upon voluntary retirement, employees with qualifying years of service according to their respective employment contract are eligible to receive a lump sum retirement bonus.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Chief of Finance and Operations or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a General Fund maximum unassigned fund balance of 8% of the following year's expenditure budget in accordance with guidelines prescribed by the Pennsylvania Department of Education.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Pronouncements

Effective July 1, 2020, the District adopted the provisions of GASB Statement No. 84 "*Fiduciary Activities*" GASB Statement No. 90 "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*"; GASB Statement No. 93 "*Replacement of Interbank Offered Rates*", GASB Statement No. 95, "*Postponements of Effective Dates of Certain Authoritative Guidance*" and GASB Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*".

GASB Statement No. 84 improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As a result of the implementation Statement No. 84 the District reported restricted net position and changes in fiduciary net position for its Custodial Fund for the year ended June 30, 2021.

GASB Statement No. 90 improved the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defined a majority equity interest and specified that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of GASB Statement No. 90 had no impact on the financial statements of the District for the year ended June 30, 2021.

GASB Statement No. 93 addresses those and other accounting and financial implications that result from the replacement from IBOR by (1) providing exceptions for certain hedging derivatives to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) clarifying that the uncertainty related to the continued availability of IBOR's does not, by itself affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) identifying a secured overnight financing rate and the effective federal funds rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and; (6) clarifying the definition of a reference rate, as it is used in GASB Statement 53 "*Accounting and Financial Reporting for Derivative Instruments*". The implementation of GASB Statement No. 93 had no impact on the District's financial statements for the year ended June 30, 2021.

GASB Statement No. 95 provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. See references to GASB Statement No. 95 within the various pronouncements above to determine the impact on each individual statement. The implementation of GASB Statement No. 95 by the District postponed the implementation of GASB Statement No. 84 until year ended June 30, 2021 as described above and the implementation of GASB Statement No 87 until year ended June 30, 2022 as described below.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The objectives of GASB Statement No. 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 had no impact on the financial statements of the District for the year ended June 30, 2021.

New Accounting Pronouncements

GASB Statement No. 87, "*Leases*" will be effective for the District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, "*Accounting for Interest Cost Incurred Before the End of a Construction Period*", will be effective for the District for the year ended June 30, 2022. The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 establishes accounting required for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB Statement No. 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with government fund accounting principles.

GASB Statement No. 91, "*Conduit Debt Obligations*" will be effective for the District for the year ended June 30, 2022. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*" will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in GASB Statement No. 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements*" will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in a newspaper of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the House Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

(3) DEPOSITS AND INVESTMENTS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2021, the carrying amount of the District's deposits was \$41,446,353 and the bank balance was \$41,593,024. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$250,000 was covered by federal depository insurance and \$18,195,654, was collateralized by the District's depositories in accordance with Act 72. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, and is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit. As of June 30, 2021, PSDLAF was rated as AAA by a nationally recognized statistical rating agency.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,453,391	\$ 52,900	\$ -	\$ 3,784,695
Construction in progress	<u>2,143,951</u>	<u>1,640,744</u>	<u>-</u>	<u>3,506,291</u>
Total capital assets not being depreciated	<u>5,597,342</u>	<u>1,693,644</u>	<u>-</u>	<u>7,290,986</u>
Capital assets being depreciated				
Land improvements	5,559,962	231,585	-	5,791,547
Buildings and improvements	123,686,050	247,431	-	123,933,481
Furniture and equipment	13,743,655	1,499,767	-	15,243,422
Vehicles	<u>382,723</u>	<u>40,248</u>	<u>-</u>	<u>422,971</u>
Total capital assets being depreciated	<u>143,372,390</u>	<u>2,019,031</u>	<u>-</u>	<u>145,391,421</u>
Less accumulated depreciation for				
Land improvements	(3,406,553)	(266,822)	-	(3,673,375)
Buildings and improvements	(31,916,154)	(3,332,186)	-	(35,248,340)
Furniture and equipment	(10,205,290)	(1,218,426)	-	(11,423,716)
Vehicles	<u>(304,465)</u>	<u>(20,777)</u>	<u>-</u>	<u>(325,242)</u>
Total accumulated depreciation	<u>(45,832,462)</u>	<u>(4,838,211)</u>	<u>-</u>	<u>(50,670,673)</u>
Total capital assets being depreciated, net	<u>97,539,928</u>	<u>(2,819,180)</u>	<u>-</u>	<u>94,720,748</u>
Governmental activities, net	<u>\$103,137,270</u>	<u>\$(1,125,536)</u>	<u>\$ -</u>	<u>\$102,011,734</u>
Business-type activities				
Capital assets being depreciated				
Machinery and equipment	\$ 665,913	\$ -	\$ -	\$ 665,913
Less accumulated depreciation	<u>(578,802)</u>	<u>(14,052)</u>	<u>-</u>	<u>(592,854)</u>
Business-type activities, net	<u>\$ 87,111</u>	<u>\$(14,052)</u>	<u>\$ -</u>	<u>\$ 73,059</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities	
Instruction	\$3,396,292
Instructional student support	375,227
Administrative and financial support services	534,723
Operation and maintenance of plant services	417,390
Student activities	<u>114,579</u>
Total depreciation expense – governmental activities	<u>\$4,838,211</u>
Business-type activities	
Food service	<u>\$ 14,052</u>

As of June 30, 2021, the District had outstanding construction commitments related to the High School renovation project of \$54,046,563.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
General Fund	\$ 148,739	Food Service Fund	\$ 148,739
General Fund	<u>944,342</u>	Internal Service Fund	<u>944,342</u>
	<u>\$1,093,081</u>		<u>\$1,093,081</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

There were no interfund transfers for the year ended June 30, 2021.

(6) CHANGE IN NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 64,735,000	\$30,015,000	\$22,830,000	\$ 71,920,000	\$6,190,858
Bond premiums	<u>3,674,318</u>	<u>1,034,157</u>	<u>1,000,751</u>	<u>3,707,724</u>	<u>795,897</u>
Total general obligation debt	<u>68,409,318</u>	<u>31,049,157</u>	<u>23,830,751</u>	<u>75,627,724</u>	<u>6,986,755</u>
Other noncurrent liabilities					
Capital leases payable	565,424	1,392,490	709,856	1,248,058	617,505
Compensated absences	536,832	65,786	-	602,618	-
Accrued retirement bonuses	402,772	76,214	-	478,986	-
OPEB liability	1,993,321	704,734	70,286	2,627,769	-
Net OPEB liability - PSERS	3,200,393	-	9,113	3,191,280	-
Net pension liability - PSERS	<u>70,396,736</u>	<u>2,231,507</u>	<u>-</u>	<u>72,628,243</u>	<u>-</u>
Total other noncurrent liabilities	<u>77,095,478</u>	<u>4,470,731</u>	<u>789,255</u>	<u>80,776,954</u>	<u>617,505</u>
Total governmental activities	<u>145,504,796</u>	<u>35,519,888</u>	<u>24,620,006</u>	<u>156,404,678</u>	<u>7,604,260</u>
Business-type activities					
Net OPEB liability - PSERS	89,832	-	14,138	75,694	-
Net pension liability - PSERS	<u>1,975,959</u>	<u>-</u>	<u>253,288</u>	<u>1,722,671</u>	<u>-</u>
Total business-type activities	<u>2,065,791</u>	<u>-</u>	<u>267,426</u>	<u>1,798,365</u>	<u>-</u>
Total noncurrent liabilities	<u>\$147,570,587</u>	<u>\$35,519,888</u>	<u>\$24,887,432</u>	<u>\$158,203,043</u>	<u>\$7,604,260</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are generally liquidated by the Food Service Fund.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(7) GENERAL OBLIGATION DEBT

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2021 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2016A	0.60% - 5.00%	\$11,865,000	05/01/2031	\$11,840,000
Series of 2016B	0.55% - 5.00%	\$22,060,000	03/01/2024	11,715,000
Series of 2018	1.75% - 4.00%	\$9,500,000	05/01/2034	9,485,000
Series of 2019	1.45% - 4.00%	\$8,885,000	05/01/2027	8,875,000
Series of 2020 A	1.00% - 4.00%	\$9,995,000	05/01/2037	9,995,000
Series of 2021	1.77%	\$10,105,000	05/01/2033	10,095,000
Series of 2021A	1.19%	\$9,915,000	05/01/2031	<u>9,915,000</u>
Total general obligation debt				<u>\$71,920,000</u>

General Obligation Bonds, Series of 2020

On November 12, 2020, the District issued \$9,995,000 of general obligation bonds, Series of 2020. The proceeds of the bonds will be used to fund various capital projects of the District, and to pay for the costs of issuance.

General Obligation Bonds, Series of 2021

On January 7, 2021, the District issued \$10,105,000 of general obligation bonds, Series of 2021. The proceeds of the bonds were used to currently refund the District's general obligation bonds, Series of 2017, and to pay for the costs of issuance. The District refunded the general obligation bonds to reduce future debt service payments by \$1,676,488.

General Obligation Bonds, Series of A 2021

On March 3, 2021, the District issued \$9,915,000 of general obligation bonds, Series A of 2021. The proceeds of the bonds were used to currently refund the District's general obligation bonds, Series of 2015, and to pay for the costs of issuance. The District refunded the general obligation bonds to reduce future debt service payments by \$1,241,047.

In-Substance Defeasance

The District has advance refunded portions of its general obligation bonds, Series of 2017 (the "**Series of 2017 Bonds**") by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and earnings from the investments are sufficient to fully service the advance refunded debt until the debt is called or matures.

For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's government-wide financial statements. At June 30, 2021, the \$9,430,000 of the Series of 2017 Bonds is considered defeased. The District has authorized to call the remaining defeased bonds for redemption on May 1, 2022.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2022	\$ 3,870,000	\$ 2,320,858	\$ 6,190,858
2023	4,070,000	2,113,172	6,183,172
2024	4,235,000	1,949,002	6,184,002
2025	4,410,000	1,742,813	6,152,813
2026	4,545,000	1,607,053	6,152,053
2027-2031	25,005,000	6,160,081	31,165,081
2032-2036	22,570,000	2,659,447	25,229,447
2037	<u>3,215,000</u>	<u>128,600</u>	<u>3,343,600</u>
	<u>\$71,920,000</u>	<u>\$18,681,026</u>	<u>\$90,601,026</u>

(8) CAPITAL LEASES

The District has entered into long-term lease agreements for computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception dates. The future minimum lease payments under the capital leases and the net present value of the future minimum lease payments as of June 30, 2021 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 617,505	\$36,860	\$ 654,365
2023	530,588	19,311	549,899
2024	<u>99,965</u>	<u>4,802</u>	<u>104,767</u>
	<u>\$1,248,058</u>	<u>\$60,973</u>	<u>\$1,309,031</u>

(9) PENSION PLAN

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees Retirement System ("**PSERS**") and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The Pennsylvania Public School Employees' Retirement System ("**PSERS**") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the District were \$7,279,280 for the year ended June 30, 2021.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the District reported a liability of \$74,350,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1510 percent, which was a decrease of 0.0037 percent from its proportion measured as of June 30, 2019. As of June 30, 2021, the net pension liability of \$72,628,243 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$1,722,671 of the net pension liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

For the year ended June 30, 2021, the District recognized pension expense of \$8,110,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ 194,000	\$1,782,000
Changes in assumptions	-	-
Net difference between expected and actual investment earnings	3,268,000	-
Changes in proportions	543,000	1,798,000
Contributions subsequent to the measurement date	<u>7,279,280</u>	<u>-</u>
	<u>\$11,284,280</u>	<u>\$3,580,000</u>

\$7,279,280 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2021	\$(1,033,000)
2022	(38,000)
2023	525,000
2024	<u>971,000</u>
	<u>\$ 425,000</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward PSERS's total pension liability as the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial valuation experience study that was performed for the five year period ending June 30, 2015.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The plan's policy in regard to the allocation of invested plan assets is established and may be amended by the board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.00 %	5.20%
Private equity	15.00 %	7.20%
Fixed income	36.00 %	1.10%
Commodities	8.00 %	1.80%
Absolute return	10.00 %	2.50%
Infrastructure/MLPs	6.00 %	5.70%
Real estate	10.00 %	5.50%
Risk parity	8.00 %	3.30%
Cash	6.00 %	(1.00%)
Financing (LIBOR)	<u>(14.00)%</u>	<u>(0.70%)</u>
	<u>100.00 %</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$91,987,791</u>	<u>\$74,350,914</u>	<u>\$59,410,015</u>

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Pension Plan Fiduciary Net Position

Detailed information about the PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the system's website at www.psers.state.pa.us.

(10) OTHER POST-EMPLOYMENT BENEFITS

Single-Employer Defined Benefit OPEB Plan

The District's other post-employment benefits ("**OPEB**") include a single-employer defined benefit plan that provides medical insurance to all retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

OPEB Plan Membership

Membership in the OPEB plan consisted of the following at July 1, 2020:

Active employees	344
Vested former participants	-
Retired participants	<u>23</u>
Total	<u>367</u>

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

OPEB Liability

The District's OPEB liability has been measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, and by rolling forward the liabilities from the July 1, 2020 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The OPEB liability is \$2,627,769, all of which is unfunded. As of June 30, 2021, the OPEB liability of \$2,627,769 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit).

The District's change in its OPEB liability for the year ended June 30, 2021 was as follows:

Balance as of July 1, 2020	<u>\$1,993,321</u>
Changes for the year:	
Service cost	147,692
Interest on total OPEB liability	70,659
Difference between projected and actual experience	176,877
Changes in assumptions	309,506
Benefit payments	<u>(70,286)</u>
Net changes	<u>634,448</u>
Balance as of June 30, 2021	<u>\$2,627,769</u>

OPEB Expense and Deferred Outflows Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$221,458. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$163,271	\$251,252
Changes in assumptions	312,648	126,378
Contributions subsequent to the measurement date	<u>106,755</u>	<u>-</u>
	<u>\$582,674</u>	<u>\$377,630</u>

\$106,755 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2022	\$ 3,107
2023	3,107
2024	3,107
2025	3,107
2026	3,107
Thereafter	<u>82,754</u>
	<u>\$98,289</u>

Sensitivity of the OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the OPEB liability for June 30, 2021, calculated using current healthcare cost trends as well as what the OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
OPEB liability	<u>\$2,284,171</u>	<u>\$2,627,769</u>	<u>\$3,041,275</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District calculated using the discount rate of 1.86%, as well as what the OPEB liability would be if it were calculated using the discount rate that is one percentage point lower (0.86%) or 1 percentage point higher (2.86%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>0.86%</u>	<u>1.86%</u>	<u>2.86%</u>
OPEB Liability	<u>\$2,837,020</u>	<u>\$2,627,769</u>	<u>\$2,428,149</u>

Actuarial Methods and Significant Assumptions

The OPEB Liability as of June 30, 2021, was determined by rolling forward the OPEB Liability as of July 1, 2019 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate – 1.86% - Standard and Poors 20 year municipal bond rate. The discount rate changed from 3.36% to 1.86%.
- Salary growth – salary increases are composed of inflation of 2.50%, 1.00% for real wage growth and 0.00% to 2.75% for merit or seniority increases.
- Assumed healthcare cost trends – 5.5% in 2020 through 2033 and decrease from 5.4% to 4.0% in 2075.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect experience and projected using a modified version of the MP-2015 mortality improvement scale.

Cost Sharing Multiple-Employer Defined Benefit OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

PSERS provides health insurance premium assistance which, is a governmental cost sharing, multiple-employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Retirees of PSERS can participate in the health insurance premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the PSERS' health options program or employer-sponsored health insurance program.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' health options program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$178,126 for the year ended June 30, 2021.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the District reported a liability of \$3,266,974 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was 0.1512 percent, which was a decrease of 0.0035 from its proportion measured as of June 30, 2019. As of June 30, 2021, the net OPEB liability of \$3,191,280 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position (deficit) and the remaining \$75,694 of the net OPEB liability is recorded as a liability in the proprietary fund statement of net position, and in the business-type activities in the government-wide statement of net position (deficit).

MANHEIM CENTRAL SCHOOL DISTRICT

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June 30, 2021

For the year ended June 30, 2021, the District recognized OPEB expense of \$148,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual experience	\$ 30,000	\$ -
Changes in assumptions	133,000	72,000
Net difference between projected and actual investment earnings	6,000	-
Changes in proportions	35,000	111,000
Contributions subsequent to the measurement date	<u>178,126</u>	<u>-</u>
	<u>\$382,126</u>	<u>\$183,000</u>

\$178,126 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2021	\$ (7,000)
2022	(8,000)
2023	(9,000)
2024	28,000
2025	<u>17,000</u>
	<u>\$21,000</u>

Actuarial Assumptions

The OPEB liability as of June 30, 2020, was determined by rolling forward the PSERS' OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return – 2.66% - Standard & Poors 20 year municipal bond rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

Participation rate:

- Eligible retirees will elect to participate pre age 65 at 50%
- Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females and disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the OPEB plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for health insurance premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year.

<u>OPEB – Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.30%	(1.00%)
Us core fixed income	46.50%	(0.10%)
Fixed income	<u>3.20%</u>	(0.10%)
	<u>100.00%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the OPEB liability was 2.66%. Under the OPEB plan's funding policy, contributions are structured for short term funding of health insurance premium assistance. The funding policy sets contribution rates necessary to assure solvency of health insurance premium assistance through the third fiscal year after the actuarial valuation date. The health insurance premium assistance account is funded to establish reserves that are sufficient for the payment of health insurance premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the OPEB plan is considered a "pay-as-you-go" plan. A discount rate of 2.66% which represents the Standard & Poors 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual health insurance premium assistance. As of June 30, 2020, retirees health insurance premium assistance benefits are not subject to future healthcare cost increases. The healthcare insurance premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

MANHEIM CENTRAL SCHOOL DISTRICT

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The following presents the net OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	<u>\$3,266,555</u>	<u>\$3,266,974</u>	<u>\$3,267,308</u>

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
District's proportionate share of the net OPEB liability	<u>\$3,724,854</u>	<u>\$3,266,974</u>	<u>\$2,887,810</u>

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on PSERS's website at www.psers.pa.gov.

(11) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Joint Ventures

Lancaster County Career and Technology Center

The District and the other 15 Lancaster County school districts participate in the Lancaster County Career and Technology Center ("**LCCTC**"). The LCCTC provides vocational-technical training and education to students of the participating school districts. The LCCTC is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the LCCTC operations is the responsibility of the joint board. The District's share of operating costs for the LCCTC fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2020-2021 was \$937,326.

Lancaster County Career and Technology Center Authority

The District and the other 15 Lancaster County school districts also participate in a joint venture for the operation of the Lancaster County Career and Technology Center Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the LCCTC school buildings and facilities. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the Authority. As further described below, the participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The District's share of rent expense for 2020-2021 was \$79,456.

MANHEIM CENTRAL SCHOOL DISTRICT

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June 30, 2021

On September 20, 2011, the Authority authorized the issuance of Guaranteed Lease Revenue Bonds (the "**Revenue Bonds**"), in the maximum aggregate principal amount of \$43,000,000 to provide funds for the renovations and additions to the Brownstown, Mount Joy and Willow Street campuses of the LCCTC and pay for the costs of issuance. The District and the 15 Lancaster County school districts have entered into a long-term lease agreement with the Authority stipulating that each school district pay its proportionate share of the lease rentals in order to retire the Revenue Bonds based on real estate market values as set forth in the LCCTC organization agreement. The Revenue Bonds were issued in three different series over three years. The amount of each series was not to exceed \$10,000,000 without the participating school districts' approval. On June 29, 2012, the Authority issued the first of three series in the total amount of \$9,995,000 which was refinanced in February 2018. On September 20, 2013 the Authority issued the second of three series in the total amount of \$9,995,000 which was refinanced in February 2017 and on July 9, 2014, the Authority issued the final of the three series in the total amount of \$3,900,000. On June 1, 2020, the Authority refinanced its Series of 2013 and Series of 2014 Revenue Bonds by issuing the Series of 2020 Revenue Bonds in the amount of \$11,145,000. The District's lease rental obligations for minimum rental payments related to the issued debt are as follows:

Year ending June 30,

2022	\$ 78,343
2023	78,037
2024	77,711
2025	77,914
2026	78,321
2027-2031	385,622
2032-2036	381,822
2037	<u>76,439</u>
	<u>\$1,234,209</u>

Both the LCCTC and the Authority prepare financial statements that are available to the public from their administrative office located at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

Jointly Governed Organizations

Lancaster-Lebanon Intermediate Unit

The District and the other Lancaster and Lebanon County school districts are participating members of the Lancaster-Lebanon Intermediate Unit (the "**LLIU**"). The LLIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating school district. The School Board of each participating school district must approve the annual program budget for the LLIU but the participating school districts have no ongoing fiduciary interest or responsibility to the LLIU. The LLIU is a self-sustaining organization that provides a broad array of services to the participating school districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and federal liaison services. During 2020-2021, the District contracted with the LLIU for special education services which totaled \$1,783,031.

Lancaster-Lebanon Joint Authority

The District and the other Lancaster and Lebanon County school district are also participating members of the Lancaster-Lebanon Joint Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the buildings and facilities maintained for the participating school districts and the LLIU, which is governed by a joint committee consisting of School Board members from each participating school district. During 2020-2021, the District did not have any financial transactions with the Authority.

MANHEIM CENTRAL SCHOOL DISTRICT

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June 30, 2021

Lancaster County Tax Collection Bureau

The District and the other 15 Lancaster County school districts along with Octorara Area School District of Chester County and the municipalities represented by those school districts are participating members of the Lancaster County Tax Collection Bureau (the "**Bureau**") for the collection of earned income taxes. Each participating school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau is a self-sustaining organization in which the participating members have no ongoing fiduciary interest or responsibility. The Bureau's operating expenditures are deducted from each member's earned income tax distributions. During 2020-2021, the District's portion of operating expenditures for the Bureau totaled \$55,463.

Lancaster County Academy

The Lancaster County Academy (the "**Academy**") is an alternative public school organized by the District and 7 other Lancaster County school districts to provide services in the County. Each of the participating school districts appoints one member to serve on the joint operating committee. The District is considered to have an ongoing financial responsibility to fund the operations of the Academy. During 2020-2021, the District's portion of operating expenditures for the Academy totaled \$53,320.

(12) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

(13) RISK MANAGEMENT

Health Insurance

The District participates in a consortium with the LLIU to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims. The District was limited in liability to \$175,000 per individual and \$6,122,655 in total for self-insurance medical claims for the year ended June 30, 2021.

The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2021 which has historically been satisfied within 60 days after June 30. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Insurance claims liability – beginning of year	\$ 639,977	\$ 387,256
Current year insurance claims and changes in estimates	5,310,535	5,007,301
Insurance claims paid	<u>(5,462,044)</u>	<u>(4,754,580)</u>
Insurance claims liability – end of year	<u>\$ 488,468</u>	<u>\$ 639,977</u>

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Property and Liability

The District and 15 participating member school districts, the LLIU, the Lancaster County Academy, and the LCCTC participate in the Lancaster-Lebanon Public Schools Insurance Pool (the "**Pool**"), which is a public entity risk pool currently operating as a common risk management and insurance program. The District and the other participating members pay an annual premium to the Pool for the purpose of seeking prevention or lessening of casualty losses to participating members from injuries to persons or property which might result in claims being made against participating members and to the pools insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Pool, that the Pool will utilize funds contributed by the participating members to provide self-insurance and reimbursement to the members for certain losses, to defend and protect each participating member of the Pool against certain liabilities and losses, and to purchase excess and aggregate stop-loss insurance for claims greater than \$100,000 per occurrence. As of June 30, 2021, the District is not aware of any additional assessments relating to the Pool.

Workers' Compensation

The District and 16 participating member school districts, the LLIU and Lancaster County Academy participate in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the "**Fund**"), which is a cooperative voluntary trust arrangement. The District and the other participating members pay an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the participating members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof. It is the intent of the participating members of the Fund that the Fund will utilize funds contributed by the participating members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2021, the District is not aware of any additional assessments relating to this Fund.

Other Risks

The District is exposed to other risks of loss, including errors and omissions. The District has purchased a commercial insurance policy to safeguard its assets from risk of loss due to errors and omissions. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(14) PRIOR PERIOD RESTATEMENT

As a result of the implementation of GASB Statement No. 84 "Fiduciary Activities", the District made a prior period adjustment to record net position for its Custodial Fund within its fiduciary activities. Regarding the fiduciary funds, this prior period adjustment and its effect on net position at July 1, 2019 was an increase in Custodial Fund net position of \$177,331. Prior to the implementation of GASB Statement No. 84, custodial fund assets equaled liabilities and did not involve measurement of results of operations.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 7, 2021, the date on which the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in the financial statements.

In September 2021, the District issued general obligation bonds, Series B of 2021 in the amount of \$30,270,000. The proceeds of the bonds will be used to fund various capital projects and to pay for the costs of issuance.

REQUIRED SUPPLEMENTARY INFORMATION

MANHEIM CENTRAL SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2021

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Local sources	\$ 37,629,480	\$ 40,231,057	\$ 2,601,577
State sources	16,348,539	16,360,029	11,490
Federal sources	<u>1,902,242</u>	<u>2,115,576</u>	<u>213,334</u>
Total revenues	<u>55,880,261</u>	<u>58,706,662</u>	<u>2,826,401</u>
EXPENDITURES			
Instruction			
Regular programs	22,937,360	23,182,109	(244,749)
Special programs	8,059,397	7,880,681	178,716
Vocational programs	1,358,544	1,438,651	(80,107)
Other instructional programs	95,408	97,163	(1,755)
Nonpublic programs	-	55,097	(55,097)
Pre-kindergarten	<u>75,334</u>	<u>87,042</u>	<u>(11,708)</u>
Total instruction	<u>32,526,043</u>	<u>32,740,743</u>	<u>(214,700)</u>
Support services			
Pupil support services	1,746,299	1,640,368	105,931
Instructional staff services	1,589,587	1,467,891	121,696
Administrative services	2,603,736	2,720,077	(116,341)
Pupil health	458,298	508,981	(50,683)
Business services	770,528	755,835	14,693
Operation and maintenance of plant services	4,067,625	4,023,701	43,924
Student transportation services	3,157,313	2,948,063	209,250
Support services - central	1,689,309	1,678,898	10,411
Other support services	<u>35,000</u>	<u>41,444</u>	<u>(6,444)</u>
Total support services	<u>16,117,695</u>	<u>15,785,258</u>	<u>332,437</u>
Operation of noninstructional services			
Student activities	1,211,270	1,104,563	106,707
Community services	<u>56,500</u>	<u>24,620</u>	<u>31,880</u>
Total operation of noninstructional services	<u>1,267,770</u>	<u>1,129,183</u>	<u>138,587</u>
Debt service	<u>6,167,757</u>	<u>6,102,354</u>	<u>65,403</u>
Total expenditures	<u>56,079,265</u>	<u>55,757,538</u>	<u>321,727</u>
Excess of revenues over expenditures	<u>(199,004)</u>	<u>2,949,124</u>	<u>3,148,128</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(80,000)	-	80,000
Sale of/compensation for capital assets	-	209,914	209,914
Budgetary reserve	<u>(250,000)</u>	<u>-</u>	<u>250,000</u>
Total other financing sources (uses)	<u>(330,000)</u>	<u>209,914</u>	<u>539,914</u>
NET CHANGE IN FUND BALANCE	<u>\$ (529,004)</u>	<u>3,159,038</u>	<u>\$ 3,688,042</u>
FUND BALANCE			
Beginning of year		<u>20,987,973</u>	
End of year		<u>\$ 24,147,011</u>	

MANHEIM CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PSERS

Year ended June 30

	<u>Measurement Date</u>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1510%	0.1547%	0.1524%	0.1531%	0.1574%	0.1443%	0.1424%
District's proportionate share of the net pension liability	\$ 74,350,914	\$ 72,372,695	\$ 73,159,567	\$ 75,613,648	\$ 78,002,446	\$ 62,504,000	\$ 56,362,000
District's covered-employee payroll	\$ 21,222,347	\$ 21,341,054	\$ 20,520,006	\$ 20,384,782	\$ 20,389,976	\$ 18,571,742	\$ 18,172,531
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	350.34%	339.12%	356.53%	371.00%	383.00%	337.00%	310.00%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	52.00%	50.00%	54.00%	57.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MANHEIM CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 7,055,074	\$ 6,927,831	\$ 6,466,832	\$ 5,855,934	\$ 5,008,000	\$ 3,726,000	\$ 2,907,605
Contributions in relation to the contractually required contribution	<u>7,055,074</u>	<u>6,927,831</u>	<u>6,466,832</u>	<u>5,855,934</u>	<u>5,008,000</u>	<u>3,726,000</u>	<u>2,907,605</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 21,222,347	\$ 21,341,054	\$ 20,520,006	\$ 20,384,782	\$ 20,389,876	\$ 18,571,742	\$ 18,172,531
Contributions as a percentage of covered-employee payroll	33.24%	32.46%	31.51%	29.00%	25.00%	20.00%	16.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MANHEIM CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY - SINGLE EMPLOYER PLAN

Year ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 147,692	\$ 148,368	\$ 176,646	\$ 170,812
Interest on total OPEB liability	70,659	60,154	72,301	54,083
Differences between projected and actual experience	176,877	-	(326,627)	-
Changes of assumptions	309,506	(59,968)	(98,325)	38,926
Benefit payments	<u>(70,286)</u>	<u>(55,515)</u>	<u>(124,388)</u>	<u>(140,358)</u>
Net change in total OPEB liability	634,448	93,039	(300,393)	123,463
Total OPEB liability, beginning	<u>1,993,321</u>	<u>1,900,282</u>	<u>2,200,675</u>	<u>2,077,212</u>
Total OPEB liability, ending	<u>\$ 2,627,769</u>	<u>\$ 1,993,321</u>	<u>\$ 1,900,282</u>	<u>\$ 2,200,675</u>
Fiduciary net position as a % of total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 19,043,199	\$ 18,410,893	\$ 18,410,893	\$ 18,932,990
Net OPEB liability as a % of covered payroll	13.80%	10.83%	10.32%	11.62%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MANHEIM CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -PSERS

Year ended June 30

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.1512%	0.1547%	0.1524%	0.1531%
District's proportionate share of the net OPEB liability	\$ 3,266,974	\$ 3,290,225	\$ 3,177,462	\$ 3,119,277
District's covered-employee payroll	\$ 21,222,347	\$ 21,341,054	\$ 20,520,066	\$ 20,384,782
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.39%	15.42%	15.48%	15.00%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	5.56%	5.56%	6.00%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MANHEIM CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB PLAN CONTRIBUTIONS - PSERS

Year ended June 30

	Measurement Date			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 177,997	\$ 177,241	\$ 170,267	\$ 133,293
Contributions in relation to the contractually required contribution	<u>177,997</u>	<u>177,241</u>	<u>170,267</u>	<u>133,293</u>
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	\$ 21,222,347	\$ 21,341,054	\$ 20,520,066	\$ 20,384,782
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%	0.65%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT

MANHEIM CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2021

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Federal Grantor/Pass-Through Grantor/Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue July 1, 2020	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue June 30, 2021	Passed Through to Subrecipients
U.S. Department of Education											
Passed-Through the Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-200236	07/01/19 - 09/30/20	\$ 472,086	\$ 67,417	\$ 67,417	\$ -	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-210236	07/01/20 - 09/30/21	419,567	364,105	-	419,567	419,567	55,462	-
Total CFDA #84.010						431,522	67,417	419,567	419,567	55,462	-
Title II - Improving Teacher Quality	I	84.367	020-200236	07/01/19 - 09/30/20	93,821	13,949	13,949	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-210236	07/01/20 - 09/30/21	81,249	81,249	-	81,249	81,249	-	-
Total CFDA #84.367						95,198	13,949	81,249	81,249	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-200236	07/01/19 - 09/30/20	35,360	10,103	10,103	-	-	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-210236	07/01/20 - 09/30/21	35,214	23,476	-	35,214	35,214	11,738	-
Total CFDA #84.424						33,579	10,103	35,214	35,214	11,738	-
COVID-19 SECIM	I	84.027	252-200236	03/13/20 - 09/30/21	24,520	24,520	-	24,520	24,520	-	-
CARES Act - ESSER Fund	I	84.425	200-200236	03/13/20-09/30/21	381,370	381,370	-	381,370	381,370	-	-
aTSI GEER	I	84.425	254-200236	03/13/20-09/30/21	49,059	23,238	-	30,985	30,985	7,747	-
Passed Through the Pennsylvania Commission on Crime & Delinquency											
ESSER School Health & Safety Grant	I	84.425	2020-ES-01-35218	03/01/20 - 09/30/22	90,936	57,327	-	90,936	90,936	33,609	-
Total CFDA #84.425						461,935	-	503,291	503,291	41,356	-
Passed Through the Lancaster-Lebanon I.U.											
I.D.E.A. - Part B, Section 619	I	84.173	131-200013	07/01/19 - 06/30/20	3,927	3,927	3,927	-	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	131-210013	07/01/20 - 06/30/21	3,900	3,900	-	3,900	3,900	-	-
Total CFDA #84.173						7,827	3,927	3,900	3,900	-	-

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
I.D.E.A. - Part B, Section 611	I	84.027	062-210013	07/01/20 - 06/30/21	576,929	576,929	-	576,929	576,929	-	-
Title III - English Language/ Acquisition Grants	I	84.365	010-200613	07/01/19 - 06/30/20	1,037	1,037	1,037	-	-	-	-
Title III - English Language/ Acquisition Grants	I	84.365	010-210613	07/01/20 - 06/30/21	1,749	263	-	1,749	1,749	1,486	-
Total CFDA #84.365						1,300	1,037	1,749	1,749	1,486	-
Total U.S. Department of Education						<u>1,632,810</u>	<u>96,433</u>	<u>1,646,419</u>	<u>1,646,419</u>	<u>110,042</u>	<u>-</u>
<u>U.S. Department of Health and Social Services</u>											
<u>Passed Through the Pennsylvania Department of Welfare</u>											
Medical Assistance Program	I	93.778	N/A	07/01/19 - 06/30/20	N/A	5,482	5,482	-	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	N/A	3,689	-	14,014	14,014	10,325	-
Total CFDA #93.778						9,171	5,482	14,014	14,014	10,325	-
<u>U.S. Department of the Treasury</u>											
<u>Passed Through the Pennsylvania Commission on Crime & Delinquency</u>											
COVID 19 Safety Grant	I	21.019	2020-CS-01-34029	03/01/20-10/30/20	236,828	236,828	35,720	201,108	201,108	-	-
<u>Passed-Through the County of Lancaster</u>											
COVID-19 CARES Act	I	21.019	N/A	03/01/20-12/31/20	254,035	254,035	-	254,035	254,035	-	-
Total CFDA #21.019						490,863	35,720	455,143	455,143	-	-
Total U.S. Department of Treasury						<u>490,863</u>	<u>35,720</u>	<u>455,143</u>	<u>455,143</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>											
<u>Passed-Through the Pennsylvania Department of Education</u>											
State Matching Share	S	N/A	N/A	07/01/19 - 06/30/20	N/A	1,168	1,168	-	-	-	-
State Matching Share	S	N/A	N/A	07/01/20 - 06/30/21	N/A	37,029	-	37,029	37,029	-	-
Total State Matching						38,197	1,168	37,029	37,029	-	-
<u>Passed-Through the Pennsylvania Department of Education (cont'd)</u>											
Breakfast Program	I	10.553	N/A	07/01/19 - 06/30/20	N/A	8,952	8,952	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/20 - 06/30/21	N/A	135,554	-	135,554	135,554	-	-
Total CFDA #10.553						144,506	8,952	135,554	135,554	-	-

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<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2020</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2021</u>	<u>Passed Through to Subrecipients</u>
Passed-Through the Pennsylvania Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20	N/A	16,930	16,930	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	870,262	-	870,262	870,262	-	-
National School Lunch Program	I	10.555	N/A	07/01/20 - 06/30/21	N/A	a) <u>75,893</u>	b) <u>(44,211)</u>	c) <u>75,928</u>	<u>75,928</u>	d) <u>(44,176)</u>	-
Total CFDA #10.555						<u>963,085</u>	<u>(27,281)</u>	<u>946,190</u>	<u>946,190</u>	<u>(44,176)</u>	-
Total U.S. Department of Agriculture						<u>1,145,788</u>	<u>(17,161)</u>	<u>1,118,773</u>	<u>1,118,773</u>	<u>(44,176)</u>	-
Total Federal Awards and Certain State Grants						<u>\$ 3,278,632</u>	<u>\$ 120,474</u>	<u>\$ 3,234,349</u>	<u>\$ 3,234,349</u>	<u>\$ 76,191</u>	<u>\$ -</u>
Total Federal Awards						\$ 3,240,435	\$ 119,306	\$ 3,197,320	\$ 3,197,320	\$ 76,191	\$ -
Total State Awards						<u>38,197</u>	<u>1,168</u>	<u>37,029</u>	<u>37,029</u>	-	-
Total Federal Awards and Certain State Grants						<u>\$ 3,278,632</u>	<u>\$ 120,474</u>	<u>\$ 3,234,349</u>	<u>\$ 3,234,349</u>	<u>\$ 76,191</u>	<u>\$ -</u>
Special Education Cluster (IDEA) (CFDA's #84.027 and #84.173)						<u>\$ 609,276</u>	<u>\$ 3,927</u>	<u>\$ 605,349</u>	<u>\$ 605,349</u>	<u>\$ -</u>	<u>\$ -</u>
Child Nutrition Cluster (CFDA's #10.553 and #10.555)						<u>\$ 1,107,591</u>	<u>\$ (18,329)</u>	<u>\$ 1,081,744</u>	<u>\$ 1,081,744</u>	<u>\$ (44,176)</u>	<u>\$ -</u>

Footnotes

- a) Total amount of commodities received
- b) Beginning inventory July 1
- c) Total amount of commodities used
- d) Ending inventory June 30

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Funding

MANHEIM CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2021

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2020-2021 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2021 was \$0.

(5) INDIRECT COSTS

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

MANHEIM CENTRAL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2021

There were no audit findings for the year ended June 30, 2020.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Board of School Directors
Manheim Central School District
Manheim, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manheim Central School District, Manheim, Pennsylvania, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Manheim Central School District's basic financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Manheim Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manheim Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Manheim Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manheim Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
December 7, 2021**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**Board of School Directors
Manheim Central School District
Manheim, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Manheim Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Manheim Central School District's major federal programs for the year ended June 30, 2021. Manheim Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Manheim Central School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("**Uniform Guidance**"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Manheim Central School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Manheim Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Manheim Central School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Manheim Central School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Manheim Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Manheim Central School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
December 7, 2021**

MANHEIM CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Manheim Central School District were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of Manheim Central School District are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Manheim Central School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Manheim Central School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The program tested as a major program was:
 - Child Nutrition Cluster:
 - Breakfast Program – CFDA Number 10.553
 - National School Lunch Program – CFDA Number 10.555
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Manheim Central School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None